AR51

DYLEX ANNUAL REPORT 1977

Contents

Annual Meeting
The Annual Shareholders Meeting will be held at 11 a.m. Thursday, June 8, 1978 in the Alberta Room, Royal York Hotel, 100 Front Street West, Toronto, Canada.

Highlights

Years ended January following	1977	1976
Operating Summary		
Net sales ('000)	$271,285	$244,235
Net earnings before extraordinary item ('000)	$ 8,541	$ 7,274
Per Share before extraordinary item		
Earnings – 1st quarter	$ 0.16	$ 0.18
– 2nd quarter	0.12	0.16
– 3rd quarter	0.52	0.50
– 4th quarter	0.67*	0.41
Total	**$ 1.47**	**$ 1.25**
Dividends	$ 0.225	$ 0.225
Financial Position		
Working capital ('000)	$ 37,943	$ 29,982
Current ratio	2.2:1	1.9:1
Asset turnover	2.8	2.8
Return on sales	3.1%	3.0%
Return on equity	16.8%	16.6%
Shareholders' equity ('000)	$ 55,059	$ 46,839

*Includes nine cents per share from inventory tax credit

There are 458 buttons on the cover of this report, one for each store in the Dylex network in Canada – and we're still growing...

The Canadian economy in 1977 was in a recession characterized by weak demand, high and rising unemployment, a 10 percent decline in the value of the dollar and a resurgence of inflationary pressures. Canadians have reacted to these unsettled conditions with a deep-set apprehension regarding their future which led them to push bank savings to historically high rates. In this unstable environment Dylex had an 11 percent increase in sales to $271.3 million and an improvement in profits from $7.3 to $8.8 million. The earnings per share of $1.52 includes a nine cent per share gain resulting from the introduction of an inventory tax allowance and an extraordinary gain of five cents per share.

The Year in Review
The overall results do not accurately measure the improvement in performance of the company; indeed some of our divisions had record results in 1977.

The Fairweather and Suzy Shier chains recovered from the frustrating conditions in the 1976 women's wear market to register new highs in both sales and profits in 1977. Profit margins improved in the Harry Rosen men's wear chain as a result of a stringent cost control program and subtle but effective changes in its marketing concept. In our manufacturing operations Manchester Children's Wear continued to show progress by further expansion of its junior coat sales and the Forsyth Group also reported profit gains.

A dramatic shift in direction occurred in the operation of the Big Steel boutiques. Fairweather management became aware that a gap existed in the men's wear market in that there were no national chains selling to the young man who wanted high fashion suits, sportswear and accessories at affordable prices. In order to take advantage of this opportunity Big Steel was changed from a unisex boutique into a men's wear store. Sales and margins for the new operations have exceeded expectations.

We also spun off our Braemar stores into a separate division. This move has enabled us to present a new merchandising concept appealing to the more mature career woman, a market segment which will experience a rapid growth over the next few years.

After trying several different approaches in recent years to reduce losses, Family Fair introduced a low margin discount pricing policy with sales volume perceived as the key to success. The policy was designed to boost sales by offering value to the consumer in the form of good quality merchandise for the entire family at low prices. In addition a rigorous cost control program was introduced at both the store and head office level in order to reduce operating expenses. The results of these measures are evident in that Family Fair came close to breaking even in the past fiscal year. The revised program appears to be the right approach during current economic conditions.

For most of the year the men's wear market was soft. Sales in the spring season were maintained at the expense of margins. While this situation gradually changed during the fall season overall results are below initial expectations. Tip Top has maintained its senior market position by heavy promotional programs which have left the division in a strong competitive position for 1978.

In 1977 Thrifty's, our youth oriented leisure wear chain, increased its retail space by 22 percent and moved into a new warehouse and office complex. The added costs of the move together with slow development of some of the newer outlets in Western Canada exerted downward pressure on net margins.

Earnings were adversely affected by substantial start up costs in National Knitting associated with the phaseout of its children's wear production and the introduction of new lines of fashion oriented women's sweaters, blouses and coordinates. As a result of delays in getting the new line of products on the market and unsettled economic conditions, National Knitting was slow to obtain the desired product acceptance by retailers. The product line is now beginning to achieve good market penetration and National Knitting should have a turnaround in 1978.

During the year the company sold an interest in the Nu Mode Dress operation to the division's general manager. The sale produced an attractive return on our investment.

Company Goals – A Progress Report
In last year's annual report, we set out a five year plan for the company – a series of goals which, through good planning, we would strive to attain. The following is a summary of our progress to date:

- We would appear to be having success in our determination to provide customers with products that are good value. As part of an on-going program to monitor consumer needs and preferences, Dylex has participated in market research studies. Consumer reaction to the Dylex divisions in these studies has been favourable.
- In seeking to double our retail sales over the five-year period, we were able to increase retail sales by 12 percent, close to our initial target.
- Our goal was to reach a 10 percent return on sales from retail divisions but with the difficult conditions faced by some of our divisions, overall retail profits only showed a modest improvement during 1977. Gains in the women's wear divisions were partially offset by softness in Thrifty's and the men's wear markets.
- Most of our manufacturing divisions have either achieved or come close to earning a 10 percent return on sales. Overall manufacturing results were hampered by the negative results from National Knitting.
- Our determination to retain our strong financial position was successful and in 1977 our balance sheet remains strong with a working capital ratio of 2.2:1.
- An important goal is to develop a people planning program which will enable employees to improve their skills and achieve job satisfaction and which will ensure the availability of capable management in the future. During the year new training programs were introduced, particularly at the supervisory level. In addition, employees are being encouraged to upgrade their knowledge and skill levels at outside institutions. During the fall new benefits were introduced, including an employee savings plan, as part of a program to reward current staff and to enhance our ability to attract new people. At the year-end 100,000 Class A Shares were sold to the trustees of the Key Employee Stock Plan to revitalize this useful method of assisting the purchase of shares in the company by key employees.

Quebec
Approximately 10 percent of our revenue comes from our retail and manufacturing facilities located in Quebec. The language legislation recently passed by the Quebec legislature will not have an effect on our Suzy Shier and Manchester Children's Wear

divisions, which have head offices in Montreal, or Tip Top which has 24 retail outlets in Quebec since their operations have been fluently bilingual for some time.

Import Restrictions
Although the import restrictions introduced in November 1976 have met with mixed reactions at Dylex they have not had a significant effect on overall operations.

By establishing quotas without regard to price, the current measures may have a negative impact on garment manufacturing in Canada. Importers will attempt to maximize their profits by importing higher priced merchandise normally supplied by Canadian manufacturers. As a result the supply of traditionally lower priced clothing from the import market will likely be cut back and prices rise. The policy may result in greater competition for Canadian manufacturers and higher prices for the consumer, both of which seem contrary to the national interest.

Inflation
In recent years there has been a great deal of discussion on the effect of inflation on reported corporate results. The lack of agreement on a workable method of producing information that can be understood and used by readers of financial statements attests to the complexities of the problem. Once agreement has been reached on a meaningful approach we intend to introduce inflation adjusted statements.

Inflation has resulted in some erosion of inventory values. The impact on overall profitability has been minimized by the relatively fast turnover of fashion merchandise and the introduction of the three percent inventory tax allowance.

Dylex has been making increasing use of commercial leases to finance new store equipment and fixtures. The present value of these leases, estimated at $30 million at the year-end, must be added to the $18 million fixed assets shown on the financial statements when considering assets employed. Although we have not attempted to revalue these assets at replacement cost at this time we know that construction costs have increased over 40 percent during the last four or five years. In order to partially offset the impact of these rising costs we have used a seven year write off period for many of our leases. If we had followed the more traditional approach used by many other retailers these costs would have been charged to operations over a 10-15 year period. The estimated impact on this year's earnings of our more conservative and, in our opinion, more realistic approach to these costs is approximately 10 cents per share.

The disruptive influences of inflation are not confined to a company's financial statements. To-date fashion retailers have been able to increase prices to compensate for higher costs. If consumers are constantly faced with rising prices they will eventually start to look for alternative types of clothing to keep costs down, for example sportswear and co-ordinates may be used as a substitute for dresses. Changes of this nature, although admittedly long-term, concern us since over time they can have an impact on both the units sold and the fundamental nature of our operations. Based upon our previous success in anticipating shifts in market preferences we believe that we will be able to keep on top of this potential problem.

The Years Ahead
The growth outlook for the Canadian economy at the beginning of 1977 seemed optimistic. As the year progressed expectations were steadily reduced.

Currently there seems to be considerable confusion regarding the outlook for 1978. The Anti Inflation program will be winding down during the year. There has been concern expressed that the end of controls will spark another round of inflation. Although there may be some pressure on costs, for example energy costs or the impact of import quotas on clothing prices, the weak economic environment should prevent any sudden surge in prices during the year.

Although consumer confidence was badly shaken earlier in 1978 by high unemployment and renewed inflationary pressure we expect a distinct but rather slow recovery of retail sales. Despite these difficult times Dylex will continue a selective expansion program across Canada.

At present we have a strong presence in most major shopping centres across the country. The proposed program involves all our retail divisions and should result in an increase of 10 to 12 percent in our leased space. The new stores will be located in selected existing malls, in new centres currently under construction as well as those areas we by-passed in the shopping centre boom of the early 1970's.

The end of the AIB will finally allow some of our divisions to benefit from the efficiencies generated by increased sales volumes and cost cutting programs instituted in recent years.

The company has been active in the introduction of new methods and techniques designed to improve efficiency and reduce costs. In recent years we have introduced point of sale equipment in our Fairweather and Thrifty divisions and computerized production techniques in Canadian Clothiers.

This program will continue with the expansion of point of sale equipment to some of our other divisions and the development of improved information systems in our buying and merchandise control functions.

In the long run the company cannot maintain its historic growth pattern if its operations are confined to the Canadian market. As a result we are reviewing possible retail opportunities in the United States market. We will not be making any major moves in this direction until we are satisfied that we have corrected the operating problems mentioned previously and are close to attaining our overall company goals for our operations in Canada.

Dividend Policy
The dividend rate on Common and Class "A" shares was increased to an annual rate of 30 cents per share from 22½ cents per share in fiscal 1978. The amount is within limits set by the AIB regulations and follows the company's policy of increasing dividends in direct relationship to our growth in earnings.

Appreciation
On behalf of Dylex management we take this opportunity to acknowledge and express appreciation for the continued co-operation, enthusiasm and achievements of our employees during the year. We know the company can rely on the dedication of our people as we continue to strengthen our operations in these difficult times.

Wilfred Posluns
President

April 25, 1978

Dylex is Canada's leading specialty fashion retailer, with 458 stores from coast to coast which sell quality men's, women's and youth oriented clothing at affordable prices.

Retailing is a dynamic industry which must regularly change to meet the Canadian consumers' needs and lifestyles. The adaptive process has resulted in the emergence of new forces in the market place as well as the development of strong aggressive firms.

Department stores have been a major factor in non-food merchandising for most of this century. During the first 50 years they dominated shopping in urban areas with large downtown stores and played an important role in rural areas through their catalogue operations.

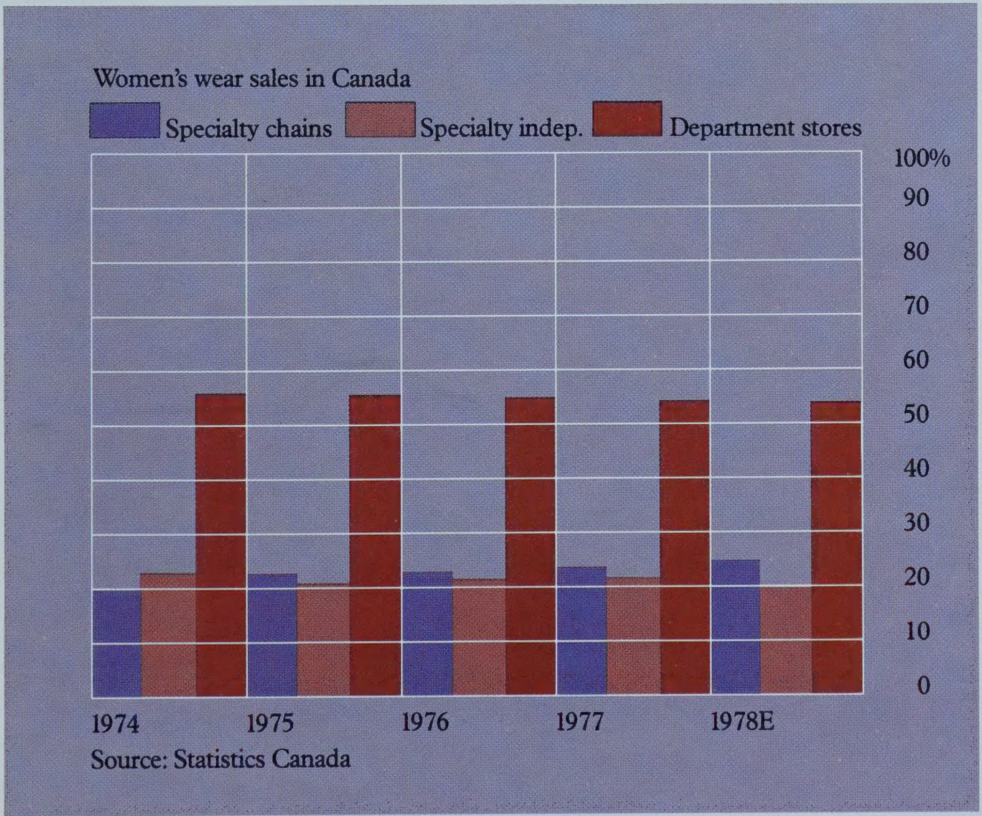
Following the Second World War the growth of the suburban market was initially ignored by the traditional department stores. It was this period which saw the entry of mass merchandising discount department stores into the suburban market.

The construction of large regional shopping centres provided traditional department stores with an opportunity to regain lost markets by extending their business to the suburbs. The development of regional shopping centres starting in the 1950's and growing strongly through the 1960's and 1970's also opened the way for specialty chains to enter the suburban market and take advantage of the traffic generated by the presence of the well-known department stores.

The current structure and trends in the retail trade can be illustrated by the fashion market. Although department stores have the largest market share, over the last few years specialty chains have made significant sales gains at the expense of both department stores and specialty independents. Statistics on the men's and women's wear markets in Canada illustrate these trends.

The Emergence of the Specialty Chain
A number of factors led to the emergence of specialty chains:

• The nature of regional shopping centres has reduced the advantage of one-stop shopping previously offered by department stores. The consumer now can evaluate the price and quality of similar goods at several different stores in one location.



• The large number of shopping centres across Canada afford specialty chains the opportunity to achieve much better market coverage than the department stores. Whereas each centre in one area may have one, two or even three department stores, a specialty chain can have outlets in all of the centres in that area. This means that specialty chain customers can go to any of the centres and shop in the chain's stores, but they have to choose one centre over another if they wish to shop in a particular department store.

• At one time department stores enjoyed a distinct advantage over specialty chains in offering credit to customers. One credit card could be used in a department store to buy clothes, furniture, toys, paint or pots and pans. This advantage has been minimized in recent years by the introduction of bank credit cards which allow shoppers to purchase goods and services on credit at most stores. As a result they are no longer restricted to the products, selection or prices of one retailer.

Structural Trends in the Canadian Market
The population of Canada is expected to increase from 23 million to 30 million by the year 2000. Until recently the Canadian lifestyle reflected a demographically young country and the strategies of consumer oriented companies were designed to capitalize on the youth market. However, the country is changing, and the youth market of the 1970's will give way to the young adult market of the 1980's, the middle age bulge of the 1990's and the retirement generations of the 2000's.

Along with the demographic trends, another change is evident. Currently three-quarters of Canada's population resides in urban areas. If urbanization continues as projected, 90 percent of Canadians will be living in cities by the year 2000. Thirty percent will be located in three large metropolitan areas centred around Montreal, Toronto and Vancouver.

The urbanization of Canada coincides with an acceleration of the westward trend. Over the next decade the population of Alberta and British Columbia is expected to continue to increase, that of Ontario to remain stable and Quebec and the Atlantic Provinces to decline.

These trends will have a significant impact on the fashion industry. Retailers will need to reassess their markets and adapt their merchandising mix to a society that is less youth-oriented. They will also have to be aware that Canada's rate of population growth is likely to slow in the next decade and thus adjustments may be required in their own growth patterns. Those retailers which have committed themselves to good, high traffic sites will continue to enjoy the benefits of their previous planning.

Competitive Advantages of Specialty Retailers

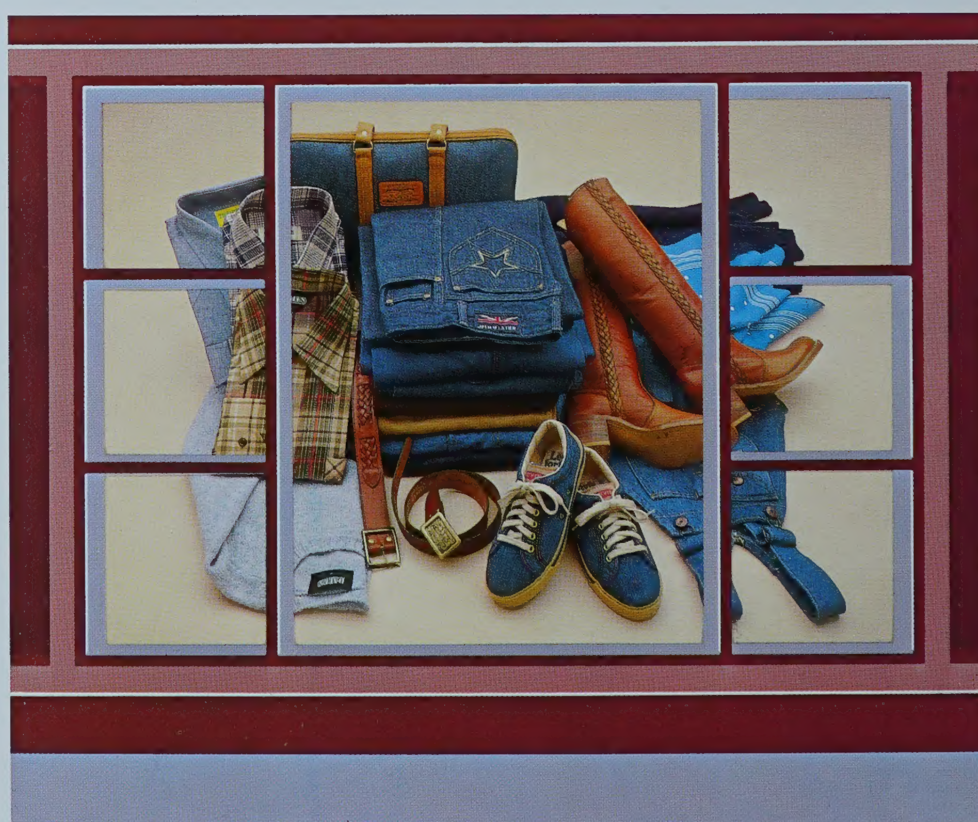
Over the past several years specialty chains have reported impressive operating results. For example in 1976 department stores had an average after-tax return on sales of one to two percent and net returns on equity of eight to ten percent. During the same year, specialty retailers earned three to six percent on sales and 16 to 20 percent on equity. It is expected that specialty retailers will continue to outperform department stores.

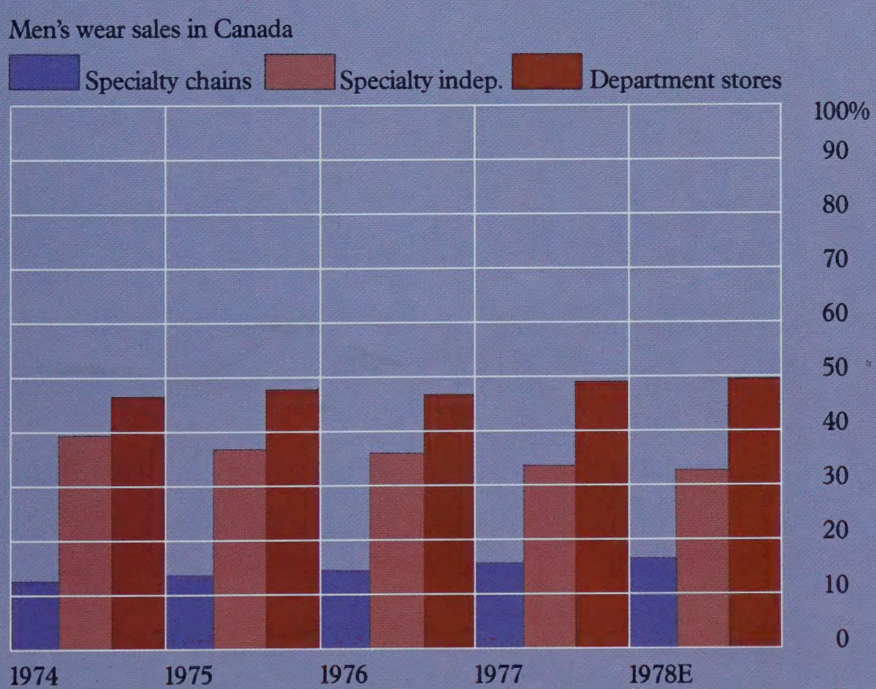
Specialty chains have generally attempted to serve a particular portion of the market, for example, young, fashion conscious women. Because they are able to zero in on one group of consumers, and they do so through a number of outlets, they have an advantage over both the department store and the independent retailer.

Market segmentation permits a specialty chain to tailor its operations to the needs of a specific group of consumers. Store size, location and fixturing can be adapted to suit the consumer. By specializing in a particular type of merchandise, the specialty store can be more sensitive and react faster to changing consumer requirements.

Independents are able to segment the market but they cannot generate the cost savings that both specialty chains and department stores can achieve through volume buying.

Based upon North American statistics, it appears that specialty stores generate higher sales volumes than department stores. In 1976 average sales per square foot were $135 for specialty retailers and $93 for department stores. Although high sales volumes do not necessarily produce high profits, they do have an impact on the retailer's ability to cover operating costs.





Source: Statistics Canada

During the past few years retailers have experienced substantial increases in rents, taxes and wages. Specialty chains, particularly those in the fashion industry where price has not been as dominant a factor in determining consumer purchases, have been able to move their overall margins up to cover rising costs more readily than department stores.

The superior returns earned by specialty retailers are also influenced by asset turnover rates (sales divided by average assets). Annual asset turnovers for department stores are approximately 1.5 times whereas for many specialty retailers they exceed 2.5 times. These rates reflect the lower costs specialty retailers have in building, fixturing and operating their stores as well as the higher inventory turnover they have achieved.

Over the next few years shopping centre construction is expected to slow down. Because specialty retailers operate smaller stores, it will still be possible for them to enter new areas or increase market penetration in existing markets by buying outlets, taking over lapsed leases or renting space in existing malls which are expanded by the shopping centre developer. These opportunities are generally not available to department stores because they need larger premises than those which normally become available.

Dylex, Canada's Leading Specialty Fashion Retailer

During recent years Dylex has aggressively opened new outlets in high traffic downtown and suburban locations across the country. Dylex has a strong presence in most of Canada's regional shopping centres and it is typical to find several of its divisions represented in any one shopping centre.

The company has established strong public acceptance through the well-known trade names of its divisions: Fairweather, Braemar, Town and Country and Suzy Shier, appealing to women; Tip Top, Harry Rosen and Big Steel, selling to men; and Thrifty's and Family Fair, serving the youth and family markets.

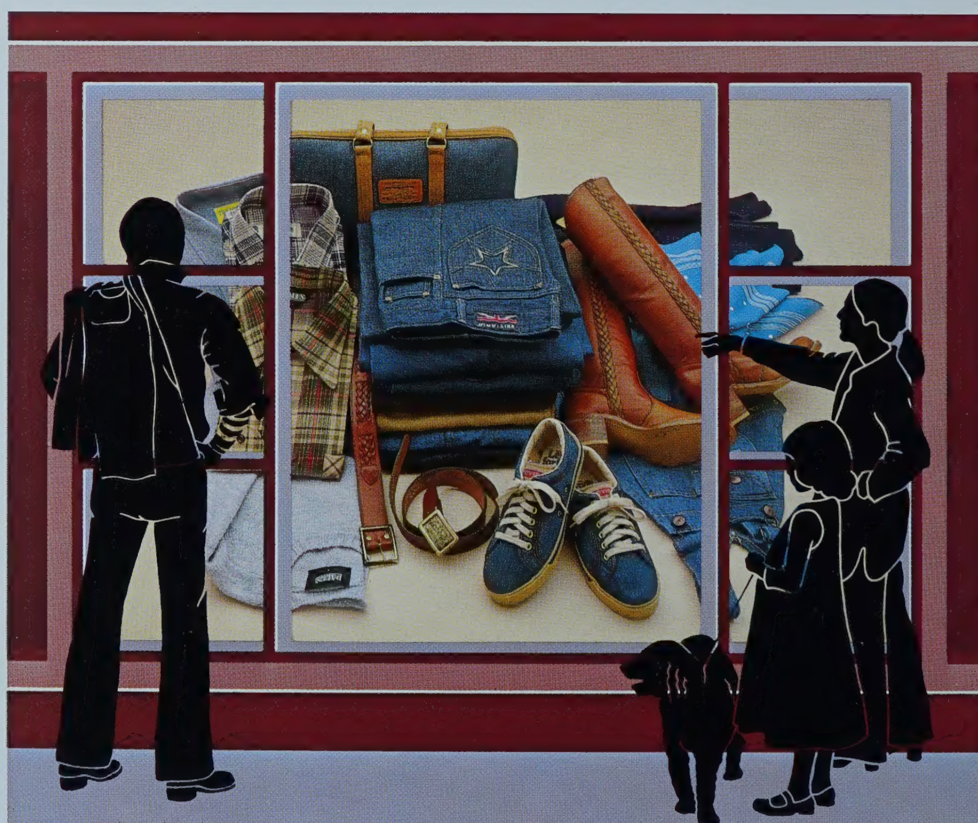
Dylex divisions have planned their stores, merchandise and operations to meet the needs of specific market segments. Although Dylex stores in a given segment might initially appear to be competing with each other, there are a number of differences in the geographic and demographic markets they serve and the merchandise they sell.

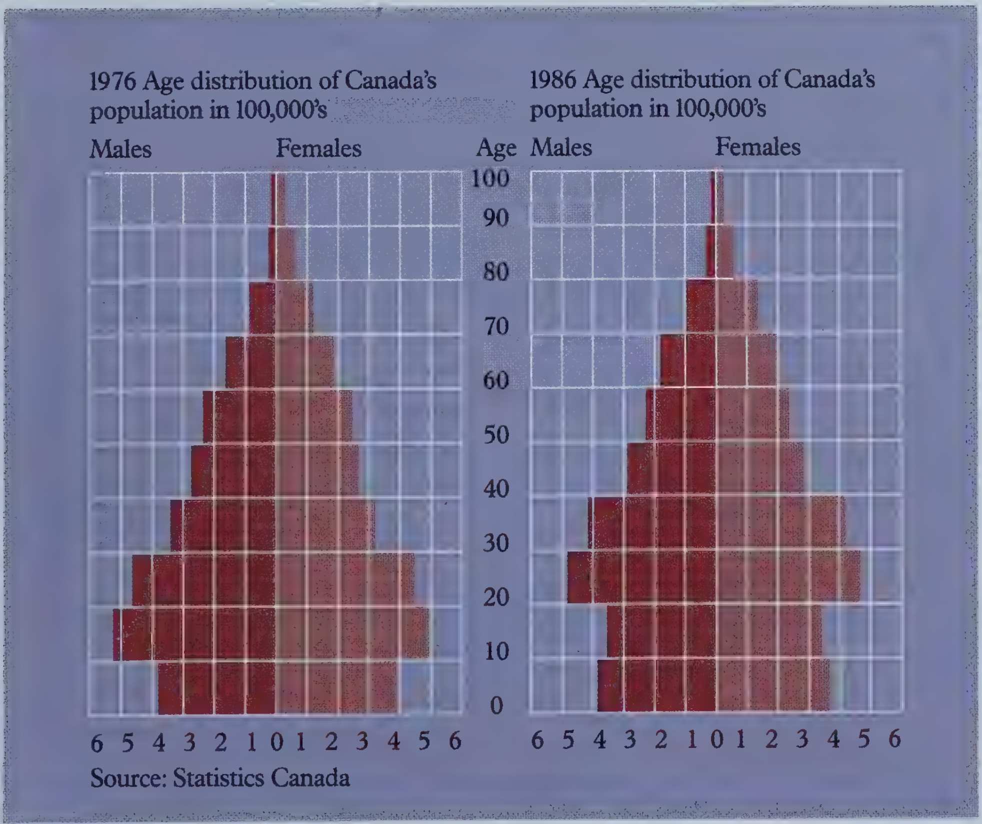
For example, Fairweather stores carry a broad range of the latest in fashion oriented clothes. Their medium priced coats, dresses, accessories and sportswear, exciting stores and younger sales staff provide a package which is attractive to the 15 to 30 year old shopper. Although Suzy Shier appeals to similar customers, the division's representation in Quebec and smaller store size gives Dylex an added dimension in the total market place.

Braemar and Town and Country serve a different market segment. They sell fashionable merchandise for a more sophisticated and slightly older group of consumers.

Market segmentation is perhaps even more evident in men's wear. Tip Top stores provide a range of medium priced suits and furnishings to the 25 to 45 year old man. The merchandise, while current, does not cover the extremes in either fashion or price. Big Steel offers the younger man highly styled clothing at a moderate price. Harry Rosen, on the other hand, has built a reputation in the Toronto area as a personal service oriented chain selling fine quality suits and accessories.

Dylex is first and foremost a retailer, but the company operates a number of manufacturing facilities. Close interaction and information flows between the manufacturing and retailing operations are an integral part of the company's success. Both groups can benefit from the other's knowledge and exposure in the market place.





Dylex in the Future

The number of prime locations remaining in major metropolitan areas is now limited. In order to permit a continued orderly growth pattern in this changed environment, Dylex has undertaken studies to determine the appropriate size and location of future stores. Issues related to the population base required to support an outlet, store size, location and marketing strategy have been thoroughly reviewed. The company believes that growth opportunities still exist in communities that were ignored when shopping centres were being built in larger metropolitan areas and also in established malls where Dylex is not now fully represented.

Change does not normally occur overnight but failure to acknowledge change can be detrimental to the company. By being aware of what is happening or will likely happen management at Dylex has attempted to anticipate market trends and thus capitalize on them. For example, in the early 1970's Thrifty's took advantage of events in the leisure market to develop a successful chain based upon the sale of jeans. The change in concept of Big Steel from a unisex boutique to a store selling clothing for the younger man illustrates the company's ability to adapt to changing market conditions and the opening of stores by several divisions in Alberta and British Columbia is an indication of management's awareness of future demographic trends.

Through long-range planning, management at Dylex has raised its sights beyond the problems of the current fashion season. Consideration is being given to the potential shape of retailing in the 1980's and how Dylex will be able to respond meaningfully and effectively to the challenges of the future.

Sales increased 11 percent during the fiscal year ended January 28, 1978 from $244.2 million to $271.3 million. The sales gain reflects continued expansion in the retail outlets as well as improvements in most manufacturing divisions. Sales results are analyzed in more detail below.

Women's Wear
Women's wear sales increased 13.5 percent during the year from $87.2 million to $98.9 million.

	1977	1976
Sales ('000)	$98,928	$87,165
% increase	13.5	14.7
Sales per square foot	$ 131	$ 129
Sales per store ('000)	$ 816	$ 805

A number of factors contributed to the improvement in women's wear sales. Despite the spinoff of the 11 Braemar stores into a separate division Fairweather had an overall increase in sales from a modest improvement in the remaining stores and the opening of 10 new outlets. Suzy Shier added seven new stores. The maturing of its existing stores, many of which were opened during last year's rapid expansion, also contributed to the division's growth in sales. In early fall Braemar introduced a new merchandising policy designed to appeal to a more sophisticated portion of the women's wear market. The disposal of youth oriented merchandise previously sold in the stores and the beginning of a new concept caused a temporary decline in sales on a store for store basis.

Town and Country sales, which are not consolidated, were $20 million, an increase of 9.3 percent from last year's $18.3 million. During the year six new stores were opened.

Men's Wear
Men's wear sales were $80.6 million, an increase of nine percent over the previous year.

	1977	1976
Sales ('000)	$80,629	$73,954
% increase	9.0	21.6
Sales per square foot	$ 151	$ 152
Sales per store ('000)	$ 593	$ 609

Men's wear sales were generally soft in 1977. Tip Top maintained its sales volume throughout the year by heavy emphasis on promotional sales techniques. During the year 13 new stores were opened and one unprofitable location was closed. By emphasizing its strengths – service and quality products – the Toronto based Harry Rosen chain was able to improve market penetration among the more sophisticated men's wear customers.

Family Wear
Family wear sales increased 12.6 percent from $62.1 million to $69.9 million.

	1977	1976
Sales ('000)	$69,889	$62,078
% increase	12.6	22.2
Sales per square foot	$ 121	$ 106
Sales per store ('000)	$ 582	$ 575

Family Fair introduced a new discount policy in 1977 designed to boost sales volume by offering good quality at low prices. During the year two stores were reduced in size without significantly affecting sales volumes. The elimination of this excess space, combined with the new promotional policy, resulted in a 16 percent improvement in sales per square foot. Two stores were opened during the year.

Thrifty's increased its retail space by over 22 percent in 1977 with the addition of 18 new stores. As a result of poor economic conditions and competitive pressures in many of their newer markets some of the recently opened stores have been slower than usual to mature, thus causing a slight decline in sales per square foot.

Manufacturing
Manufacturing sales increased from $21.0 million in 1976 to $21.8 million this year. Although it is not apparent from the overall sales performance some of the manufacturing divisions had a very successful year. Manchester Children's Wear increased sales more than 52 percent by using aggressive marketing techniques to sell its products.

A 25 percent interest in the Nu Mode Dress operations was sold to the division's general manager. The financial statements thus reflect only our share of the division's sales for the year. A total 10 percent sales improvement was recorded by Nu Mode Dress.

Manufacturing sales were adversely affected by a restructuring at National Knitting. The product lines are now beginning to receive a favourable reception among retailers.

Not all our manufacturing divisions are included in the consolidated operating results. The Forsyth Group, in which we own a 1/3 interest, generated a substantial increase in sales through the continued application of its aggressive marketing approach. Manchester Manufacturing Inc. increased its sales to Sears Roebuck in 1977.

Dylex Acceptance
The program introduced in 1976 to increase consumer use of the credit facilities was successful. Credit sales through the acceptance company increased 26.5 percent resulting in customer service revenue of $1.8 million.

Costs and Expenses
As a result of changes in the Anti-Inflation regulations the retail market place, not government rules, effectively determined margins in 1977. Gross margins in our women's wear divisions increased slightly reflecting improved market conditions and better inventory control.

Sales in Tip Top were maintained through most of 1977 by extensive use of promotions which resulted in heavy mark-downs and a slight decline in overall gross margins.

Gross margins in the Family Fair division were kept low in 1977 through a deliberate discount policy introduced to boost sales.

A number of expenses including rents, construction costs, energy costs and wages continued to escalate during the year. Steps are being taken to reduce costs through the development of an energy conservation program at the store level and changes in store operating practices.

In recent years common area charges, which include municipal taxes and costs of operating parking lots, have spiralled. Since these costs are routinely passed on to the tenants by the shopping centre operators we do not foresee any improvement in this critical area until the shopping centre owners become aware of the retailers' increasing problem of producing successful returns and take steps to control these costs. New cost sharing arrangements as well as possible design changes in the malls may be required in order to alleviate the problem.

Lower interest rates offset higher borrowing levels used to finance operations. As a result interest costs were unchanged during the year.

Excess revenue earned in 1976 was returned to customers through special promotional events or by absorbing cost

increases in material or labour charges. In 1977 some nominal amounts of excess revenue were generated. These amounts which will be returned to the consumer in 1978 have been reflected in the statements.

The inventory tax credit introduced in 1977 resulted a reduction in the overall tax rate from 47 to 43.5 percent and an increase in earnings of nine cents per share.

Income from investments improved significantly reflecting the successful year experienced by some of our investments, notably the Forsyth Group.

Earnings
Net earnings were $8.8 million or $1.52 per share. The earnings include an extraordinary item of five cents per share from the sale of an interest in the Nu Mode Dress operation.

	1977	% Increase (Decrease)
Sales ('000)	$271,285	11.1
Earnings ('000)		
before extraordinary	$ 8,541	17.4
after extraordinary	$ 8,831	21.4
Earnings per share		
before extraordinary	$ 1.47	17.6
after extraordinary	$ 1.52	21.6

Balance Sheet
Working capital increased $7.9 million during the year from $30.0 million to $37.9 million. The working capital ratio improved from 1.9:1 to 2.2:1.

Cash balances at the year-end were lower reflecting the financing of higher accounts receivable and inventory levels.

The increase in the accounts receivable from $17.4 million to $21.2 million primarily reflects the greater use of our own credit facilities by retail division customers.

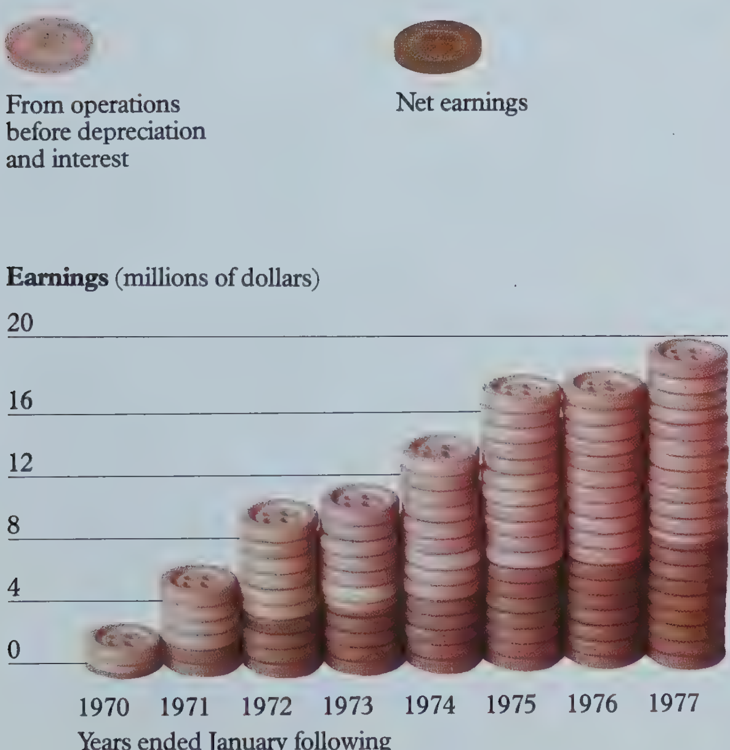
Inventory balances, which represent 68.7 percent of the current assets compared with 64.5 percent in 1976, increased from $41.0 million to $48.7 million. The increase in retail inventories resulted from the need for merchandise to stock new stores opened during the year. In manufacturing, finished goods increased as a result of the early booking and production of orders for 1978. In addition, raw material levels are higher to minimize the problems experienced in 1977 in purchasing yard goods.

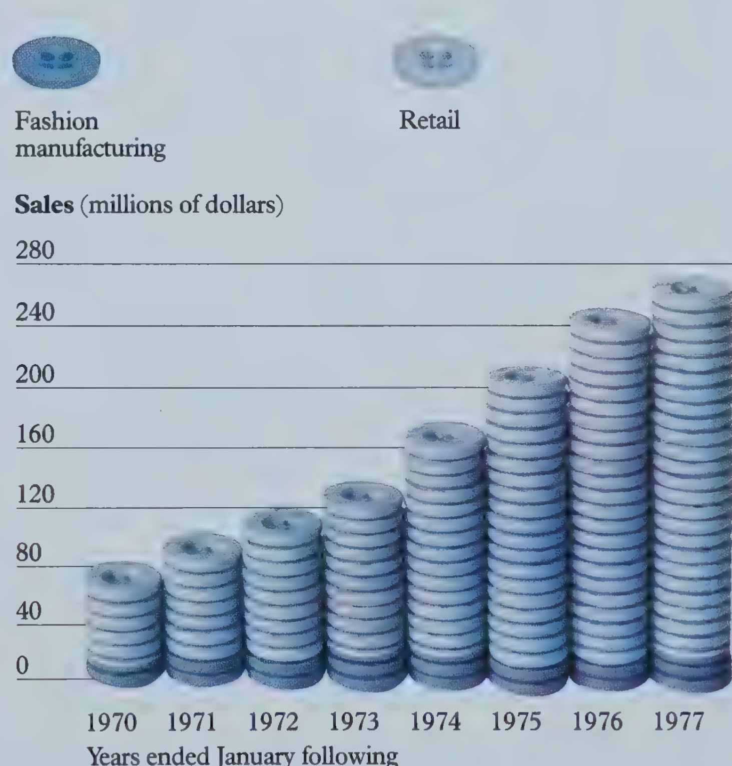
Fixed assets increased to $18.1 million with the addition of new manufacturing equipment, in-store point of sale registers as well as other retail equipment and store renovations. The balance sheet does not reflect store equipment and fixturing which is leased through commercial leasing companies. At the year-end these assets had a present value of approximately $30 million.

Arrangements have been made to refinance the first mortgage due in October 1978 at competitive rates and terms. Approximately $7.0 million in lease financing has been arranged for the 1978 capital expansion program.

The minority interest reflects our partners' share of the consolidated subsidiaries.

	1977	1976
Net book value of assets ('000)	$55,059	$46,839
Asset turnover	2.8	2.8
Shares outstanding ('000)	5,926	5,826
Net book value per share	$ 9.29	$ 8.04





Eight Year Financial Review

(Years ended January following)	1977	1976	1975	1974	1973	1972	1971	1970
Consolidated Operating Results (thousands of dollars)								
Sales								
Retail	$249,446	223,197	187,625	148,298	107,446	82,768	66,253	54,405
Fashion manufacturing	25,416	24,700	23,941	25,488	27,124	23,688	20,481	17,803
Inter-group	(3,577)	(3,662)	(3,355)	(2,495)	(2,016)	(1,241)	(1,582)	(1,045)
Net sales	**$271,285**	**244,235**	**208,211**	**171,291**	**132,554**	**105,215**	**85,152**	**71,163**
Net earnings before extraordinary items	$ 8,541	7,274	7,424	5,242	4,466	3,781	2,333	408
Earnings per share before extraordinary items								
1st Quarter	$0.16	0.18	0.15	0.13	0.10	0.07	–	–
2nd Quarter	0.12	0.16	0.15	0.12	0.10	0.07	–	–
3rd Quarter	0.52	0.50	0.52	0.32	0.27	0.22	–	–
4th Quarter	0.67	0.41	0.45	0.33	0.30	0.29	–	–
Total	**$1.47**	**1.25**	**1.27**	**0.90**	**0.77**	**0.65**	**0.40**	**0.07**
Financial Analysis								
Working capital (note 1)	$37,943	29,982	26,916	22,556	17,848	12,001	11,432	9,859
Working capital ratio	2.2	1.9	1.8	1.8	1.6	1.4	1.7	1.6
Book value per share	$9.29	8.04	7.01	5.95	5.19	4.00	3.37	2.92
Asset turnover	2.8	2.8	2.7	2.5	2.1	–	–	–
Shareholders' Equity (note 1)	$55,059	46,839	40,876	34,654	30,228	23,264	19,476	16,845
Return on equity–percent	16.8	16.6	19.7	16.2	16.7	–	–	–
Return on sales–percent	3.1	3.0	3.6	3.1	3.4	3.6	2.7	0.6
Shareholders Information								
Number of shareholders	2,279	2,592	2,683	2,869	2,743	2,693	2,680	2,337
Average shares outstanding ('000)	5,826	5,826	5,826	5,826	5,826	5,803	5,786	5,774
Dividends on Class A Shares	0.225	0.225	0.20	0.14	0.12	0.075	0.005	0.005
Toronto Stock Exchange Quotation								
Class A Shares–high	$8½	8¼	8⅞	7⅜	12¾	11⅞	4⅝	4.00
–low	$6⅜	5⅝	4.30	3.00	5⅝	4.25	1.80	1.75
Consolidated Retail Statistics								
Sales (thousands of dollars)								
Women's	$ 98,928	87,165	76,021	57,473	38,136	30,629	24,918	18,387
Men's	80,629	73,954	60,798	51,500	40,677	35,326	28,450	24,432
Family	69,889	62,078	50,806	39,325	28,633	16,813	12,885	11,586
Total retail	**$249,446**	**223,197**	**187,625**	**148,298**	**107,446**	**82,768**	**66,253**	**54,405**
Number of stores (note 2)	393	344	299	237	195	134	117	109
Store space end of year ('000 sq.ft.)	1,908	1,741	1,630	1,472	1,252	851	760	700
Average store space during year ('000 sq.ft.)	1,815	1,685	1,556	1,365	1,038	784	740	645
Sales per square foot (note 3)								
Women's	$131	129	129	120	111	112	93	78
Men's	$151	152	142	128	125	128	106	96
Family	$121	106	85	73	70	68	55	50
Total retail	**$134**	**129**	**119**	**105**	**101**	**103**	**88**	**82**

Notes

1. Goodwill on acquisitions prior to 1974 has been written off. Finance subsidiary excluded in 1970 and 1971. Earnings have been adjusted for the disposal of the Home Products Group at the end of 1972.
2. Does not include the stores operated by Town and Country, a non-consolidated company.
3. Based on average square footage in use excluding outside wholesale sales and sales of integrated manufacturing divisions. Big Steel sales are included in women's.

Consolidated Statement of Earnings. Dylex Limited

	January 28, 1978	January 29, 1977
	(thousands of dollars)	
Sales		
Retail	$249,446	$223,197
Fashion manufacturing	21,839	21,038
Net sales	**271,285**	**244,235**
Customer service income	1,764	1,206
	$273,049	**$245,441**
Earnings from operations before the following charges	**$ 19,588**	**$ 18,223**
Depreciation	2,695	2,342
Amortization of deferred charges	180	242
Amortization of goodwill	24	25
Interest on long-term debt	759	782
Other interest	809	789
Earnings before income taxes	**15,121**	**14,043**
Income taxes	6,569	6,600
	8,552	**7,443**
Income from investments (note 6)	1,441	1,232
Minority interest in subsidiaries' earnings	(1,452)	(1,401)
Net earnings before extraordinary item	**8,541**	**7,274**
Gain on sale of interest in manufacturing division, net of income taxes of $54	290	–
Net earnings	**$ 8,831**	**$ 7,274**
Earnings per share		
Before extraordinary item	**$1.47**	**$1.25**
For the year	**$1.52**	**$1.25**

Consolidated Statement of Retained Earnings. Dylex Limited

	January 28, 1978	January 29, 1977
	(thousands of dollars)	
Balance at beginning of year	**$22,078**	**$16,092**
Net earnings	8,831	7,274
Transfer from appraisal excess	22	23
	30,931	**23,389**
Dividends		
Common Shares (22½¢ per share)	186	190
Class "A" Shares (22½¢ per share)	1,125	1,121
	1,311	**1,311**
Balance at end of year	**$29,620**	**$22,078**

The accompanying notes form an integral part of the financial statements.

	January 28, 1978	January 29,1977
	(thousands of dollars)	
Current Assets		
Cash and short term deposits	$ 97	$ 4,226
Accounts receivable (note 2)	21,183	17,432
Inventories (note 3)	48,682	41,033
Prepaid expenses	726	690
Notes and other investments due within one year (note 4)	216	201
	70,904	**63,582**
Current Liabilities		
Accounts payable and accrued	27,077	25,398
Income and other taxes payable	1,090	3,860
Notes payable (note 5)	2,067	2,993
Long-term debt due within one year (note 8)	2,727	1,349
	32,961	**33,600**
Working Capital	**37,943**	**29,982**
Other Assets		
Investments in associate companies (note 6)	7,964	6,733
Notes and other investments (note 4)	3,259	3,100
Advances–Key Employee Stock Plan	–	674
Fixed assets (note 7)	18,060	16,189
Deferred charges at cost less amortization	225	563
Goodwill at cost less amortization	922	946
Assets Employed	**$68,373**	**$58,187**
Financed By–		
Other Liabilities		
Long-term debt (note 8)	$ 7,235	$ 6,264
Bank loan–Key Employee Stock Plan	–	674
Deferred income taxes	1,040	738
Minority interests	5,039	3,672
	13,314	**11,348**
Shareholders' Equity		
Capital Stock (note 9)		
Common Shares	1,732	1,760
Class "A" Shares	22,051	21,323
Excess of appraised value of fixed assets over cost	1,656	1,678
Retained earnings	29,620	22,078
	55,059	**46,839**
Capital Employed	**$68,373**	**$58,187**

Approved on behalf of the board J. F. Kay, Director. W. Posluns, Director.

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Changes in Financial Position. Dylex Limited

	January 28, 1978	January 29, 1977
	(thousands of dollars)	
Source of Funds		
Net earnings	$ 8,831	$ 7,274
Depreciation and amortization	2,899	2,609
Income from investments	(1,441)	(1,232)
Change in deferred income taxes	302	125
Minority interest in net earnings	1,452	1,401
Funds from operations	**12,043**	**10,177**
Increase in long-term debt (net)	971	–
Issue of Class "A" Shares	700	–
Decrease in investments and advances	560	204
Disposal of fixed assets	319	119
Deferred charges	158	–
	14,751	**10,500**
Use of Funds		
Fixed assets	4,885	3,580
Dividends	1,311	1,311
Investments and advances	509	1,019
Minority interest – dividends	85	–
Decrease in long-term debt (net)	–	1,065
Deferred charges	–	459
	6,790	**7,434**
Net increase in Working Capital	**7,961**	**3,066**
Working Capital, at beginning of year	**29,982**	**26,916**
Working Capital, at end of year	**$37,943**	**$29,982**

Auditors' Report to the Shareholders of Dylex Limited.

We have examined the Consolidated Statement of Financial Position of Dylex Limited as at January 28, 1978, and the Consolidated Statements of Earnings, Retained Earnings and Changes in Financial Position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these Consolidated Financial Statements present fairly the financial position of the Company as at January 28, 1978, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Wm. Eisenberg & Co.
Chartered Accountants

Toronto, Canada
March 27, 1978.

1. Accounting Policies

Principles of Consolidation
The Consolidated Financial Statements include the accounts of all divisions and subsidiaries of Dylex Limited as well as the Company's share of the assets, liabilities, sales and expenses of its unincorporated joint venture (Nu Mode Dress). All significant intercompany transactions have been eliminated.

Where 50% or less of the outstanding common shares of associate companies are held, the investment is initially recorded at cost and adjusted annually to reflect the Company's share of earnings and dividends.

Inventories
Retail store inventories are valued, using the retail inventory method, at the lower of cost and net realizable value, less normal profit margins. Manufacturing inventories are priced at the lower of cost (principally on a first-in, first-out basis) and net realizable value.

Fixed Assets
Fixed assets are recorded at cost, except for the Company's property at 637 Lake Shore Boulevard West, Toronto, which is at 1967 appraised value. The appraisal excess is being transferred to retained earnings at the rate used for the depreciation of buildings.

Depreciation is designed to amortize the fixed assets on a straight-line basis over their estimated useful lives at the following rates:

Buildings	2½%
Building renovations	20%
Equipment and leasehold improvements	10 to 20%
Automotive	25%

When fixed assets are sold or retired, the related cost and accumulated depreciation are removed from the respective accounts, and any profit or loss is reflected in the Consolidated Statement of Earnings.

Goodwill
The excess of purchase price over the fair market value of the net assets of subsidiaries and associates is being amortized on a straight-line basis over a period not exceeding forty years. Goodwill on acquisitions prior to March 31, 1974 was written off to retained earnings.

Deferred Income Taxes
The Company follows the deferral method of income tax allocation under which the provision for income taxes relates to the accounting income for the period. The accumulated tax reductions applicable to future years result principally from claiming amounts for tax purposes in excess of book depreciation.

Pension Plan
The Dylex pension plan is a unit benefit career average plan which has no unfunded liability for either past or future service. All current costs are expensed as incurred.

2. Accounts Receivable

	1978	1977
Retail, including consumer credit accounts	$16,133,000	$11,959,000
Fashion manufacturing	3,395,000	2,678,000
Other	1,655,000	2,795,000
	$21,183,000	**$17,432,000**

3. Inventories

	1978	1977
Retail	$43,428,000	$37,013,000
Fashion manufacturing	5,254,000	4,020,000
	$48,682,000	**$41,033,000**

4. Notes and Other Investments

This item includes a 7% unsecured note for $2,816,000 from Strathearn House Group Limited, due February 15, 1983, and repayable in equal monthly instalments on a 15 year amortization basis.

5. Notes Payable

This amount is comprised primarily of short-term notes payable by the finance subsidiary to an associate company.

6. Investment in Associate Companies

	Percentage Ownership
Brody's Town & Country (1967) Limited	50%
Drug World Limited	50%
The Shoe Shoppe Limited	50%
Manchester Manufacturing Inc.	42%
Forsyth Trading Company Limited and its subsidiaries	33⅓%

7. Fixed Assets

	1978	1977
Land	$ 1,181,000	$ 1,181,000
Building	6,020,000	5,966,000
Equipment and leasehold improvements	25,075,000	21,597,000
	32,276,000	**28,744,000**
Accumulated depreciation	14,216,000	12,555,000
	$18,060,000	**$16,189,000**

8. Long-Term Debt

	1978	1977
Notes payable by the finance subsidiary principally to directors, officers and shareholders of the Company and their associates at prime bank rate. Current notes which are expected to be renewed are shown as long-term	$3,673,000	$2,753,000
Note payable to an associate company at prime bank rate	2,029,000	–
Bank term loan – prime plus 1½% due June 30, 1981	615,000	725,000
10% First mortgage on building, due October 15, 1978	1,382,000	1,452,000
9½% First mortgage on building, due December 1, 1997	606,000	617,000
Finance company notes, secured by chattel mortgages	149,000	366,000
Promissory notes, non-interest bearing, due December 1, 1980	268,000	357,000
Other, principally landlord loans	1,240,000	1,343,000
	9,962,000	**7,613,000**
Due within one year	2,727,000	1,349,000
	$7,235,000	**$6,264,000**

Requirements for repayment within the next five years are as follows:		
	1979	$2,727,000
	1980	5,084,000
	1981	332,000
	1982	413,000
	1983	143,000

9. Capital Stock

Authorized

6,000,000	Common Shares without par value
20,000,000	Class "A" participating preference shares, without par value
1,000	Class "B" non-participating preference shares, without par value

Issued	1978	1977
823,557 Common Shares (1977–836,892)	$ 1,732,000	$ 1.760,000
5,102,009 Class "A" Shares (1977–4,988,674)	22,051,000	21,323,000

The Common Shares are convertible into Class "A" Shares on a one-for-one basis. During the year 13,335 Common Shares were converted.

On January 27, 1978, 100,000 shares of Class "A" Shares were issued to the Trustees of the Key Employee Stock Plan for $700,000 enabling certain key employees to purchase shares at a price not exceeding the maximum allowable discount from market at the time of allotment.

10. Remuneration of Directors and Officers of Dylex Limited

	Number of Directors	Number of Officers	Directors also Officers	Aggregate Remuneration Directors	Aggregate Remuneration Officers
1978	19	19	12	$4,000	$3,065,000
1977	20	20	13	4,000	3,027,000

11. Lease Commitments

Aggregate rentals paid on property and equipment leases for the year ended January 28, 1978 amounted to $20,069,000 (1977–$16,311,000). Minimum annual rentals for the next five years on long-term property and equipment leases, in effect at January 28, 1978 are:

1979	$19,914,000
1980	19,834,000
1981	19,708,000
1982	19,450,000
1983	18,031,000

12. Anti-Inflation Legislation

The company is subject to restraint of profit margins, prices, dividends and compensation under the terms of the Anti-Inflation Act and Regulations which will be phased out during 1978. Management believes that based upon their interpretation and their compliance tests, adequate provision has been made for any excess revenue generated to date.

13. Contingent Liabilities

The Company, together with others, has guaranteed the bank loans, notes payable and equipment lease obligations of associate companies and the Key Employee Stock Plan to the extent of $4,984,000.

As at January 28, 1978 the outstanding amount covered by these guaranteed was approximately $3,424,000 of which Dylex holds a cross-guarantee from other guarantors for approximately $918,000.

14. Segmented Results

At a meeting on August 24, 1977 the Board of Directors designated the Company's classes of business as clothing retailer, including the integrated manufacturing division, and apparel manufacturers.

Retail Stores by Location

Women's	Total	Fairweather*	Braemar	Suzy Shier	Town & Country
British Columbia	12	12	–	–	–
Alberta	11	9	–	2	–
Saskatchewan	1	1	–	–	–
Manitoba	3	3	–	–	–
Ontario	123	36	11	21	55
Quebec	27	7	–	18	2
New Brunswick	11	4	–	3	4
Nova Scotia	7	3	–	1	3
Newfoundland	3	1	–	1	1
Total	**198**	**76**	**11**	**46**	**65**

Men's	Total	Tip Top	Harry Rosen
British Columbia	17	17	–
Alberta	17	17	–
Saskatchewan	5	5	–
Manitoba	5	5	–
Ontario	52	46	6
Quebec	24	24	–
New Brunswick	5	5	–
Nova Scotia	5	5	–
Newfoundland	2	2	–
Total	**132**	**126**	**6**

Family	Total	Thrifty's	Family Fair
British Columbia	13	13	–
Alberta	13	13	–
Saskatchewan	4	4	–
Manitoba	8	8	–
Ontario	79	47	32
Quebec	–	–	–
New Brunswick	5	5	–
Nova Scotia	4	4	–
Newfoundland	2	2	–
Total	**128**	**96**	**32**
Total retail stores	**458**		

*Includes Big Steel

Dylex Representation in Metropolitan Areas

Metro areas with populations over 100,000 (1977)	'000	Personal disposable income per capita $	Retail sales per capita $	Fairweather	Braemar	Suzy Shier	Town & Country	Tip Top	Harry Rosen	Thrifty's	Family Fair
Toronto	2,842	7,260	2,860	11	8	4	21	16	6	18	8
Montreal	2,820	6,160	2,620	2	–	7	1	15	–	–	–
Vancouver	1,171	6,870	2,990	10	–	–	–	9	–	7	–
Ottawa-Hull	708	7,250	2,830	5	–	2	2	6	–	3	–
Winnipeg	586	6,630	2,740	3	–	–	–	5	–	7	–
Edmonton	572	6,850	3,400	5	–	–	–	8	–	6	–
Quebec City	551	5,830	3,020	4	–	2	–	4	–	–	–
Hamilton	535	6,930	2,730	4	2	2	3	4	–	3	3
Calgary	488	7,170	3,450	5	–	2	–	7	–	6	–
St. Catharines-Niagara	305	6,420	2,720	1	1	1	1	2	–	2	1
Kitchener	279	6,280	3,050	2	–	1	2	2	–	3	2
London	274	6,560	2,910	2	–	2	3	1	–	3	2
Halifax	271	6,070	2,830	3	–	1	3	6	–	4	–
Windsor	247	7,380	2,770	1	–	1	2	1	–	2	1
Victoria	220	6,200	2,950	1	–	–	–	3	–	3	–
Sudbury	157	7,470	3,120	1	–	2	–	2	–	1	–
Regina	156	6,730	3,670	–	–	–	–	3	–	2	–
St. John's	145	4,830	3,000	1	–	1	1	2	–	2	–
Oshawa	138	6,550	3,070	1	–	–	1	1	–	1	1
Saskatoon	138	6,710	3,770	1	–	–	–	2	–	1	–
Chicoutimi-Jonquiere	129	5,630	2,560	–	–	3	–	2	–	–	–
Thunder Bay	120	6,340	2,910	–	–	1	1	1	–	2	–
Saint John	114	5,720	2,570	1	–	1	1	1	–	1	–
Canada	**23,219**	**5,860**	**2,620**								

Representation in Major Shopping Centres in Canada

Centre	Location	Sq. ft. '000	No. of stores	Major Tenants	Dylex Representation
Square One	Mississauga	1,541	160	Sears, The Bay	Tip Top, Fairweather, Braemar, Thrifty's
Place Laurier	Quebec City	1,432	275	Sears, Syndicat, Paquet	Tip Top, Fairweather
Eaton Centre	Toronto	1,313	160	Eaton	Fairweather, Town & Country, Thrifty's
Yorkdale	Toronto	1,206	105	Eaton, Simpsons	Tip Top, Harry Rosen, Fairweather, Braemar, Town & Country, Thrifty's
Les Galeries d'Anjou	Montreal	1,100	150	Eaton, Simpsons	Tip Top
Scarborough Town Centre	Toronto	1,070	132	Eaton, Simpsons	Tip Top, Harry Rosen, Fairweather, Suzy Shier, Town & Country, Thrifty's
Le Carrefour Laval	Montreal	1,037	130	Eaton, Simpsons	Tip Top, Fairweather, Suzy Shier
Pacific Centre	Vancouver	1,028	130	Eaton, The Bay	Tip Top, Fairweather, Thrifty's
Chinook Ridge	Calgary	1,020	230	Woodwards, Sears	Tip Top, Fairweather, Suzy Shier, Thrifty's
Pen Centre	St. Catharines	1,000	105	Sears, Eaton, Robinsons	Tip Top, Fairweather, Braemar, Thrifty's
Sherway Gardens	Toronto	960	195	Eaton, Simpsons	Tip Top, Harry Rosen, Fairweather, Braemar, Town & Country, Thrifty's
Polo Park	Winnipeg	871	80	Sears, Eaton	Tip Top, Fairweather, Thrifty's
Edmonton Centre	Edmonton	856	90	Woodwards, Eaton	Tip Top, Fairweather, Thrifty's
Fairview Park	Kitchener	850	93	Sears, Simpsons	Tip Top, Fairweather, Town & Country, Family Fair, Thrifty's
Kingsway Gardens	Edmonton	848	93	Sears, Zellers	Tip Top, Fairweather, Thrifty's
Bramalea City Centre	Bramalea	830	127	The Bay, Eaton	Tip Top, Fairweather, Town & Country, Family Fair, Thrifty's
The Centre Mall	Hamilton	800	83	Sears, Robinsons	Tip Top, Fairweather, Thrifty's
Devonshire	Windsor	775	90	Sears, Simpsons	Tip Top, Fairweather, Suzy Shier, Town & Country, Thrifty's
Fairview Pointe Claire	Montreal	750	85	Simpsons, Eaton	Tip Top
Place Versailles	Montreal	750	99	The Bay, Pascal Miracle Mart	Tip Top, Suzy Shier
Oshawa Centre	Oshawa	734	90	Eaton, Sears	Tip Top, Fairweather, Town & Country, Family Fair, Thrifty's
Simpson Mall	Halifax	711	27	Simpsons, Sobey's	Tip Top, Fairweather, Town & Country, Thrifty's
Fairview Mall	Toronto	700	104	Simpsons, The Bay	Tip Top, Harry Rosen, Fairweather, Town & Country, Thrifty's
Centre Laval	Montreal	700	105	Woolco, The Bay	Tip Top
Bayshore	Ottawa	695	100	Eaton, The Bay	Tip Top, Fairweather, Town & Country, Thrifty's
Southgate	Edmonton	684	48	Woodwards, The Bay	Tip Top, Fairweather
Place Vertu	Montreal	675	110	Sears, The Bay, K-Mart	Tip Top
Carrefour de l'Estrie	Sherbrooke	660	108	Eaton, Sears, Pascal	Tip Top, Suzy Shier
Lansdowne Park	Vancouver	650	140	Woodwards, Eaton	Tip Top, Fairweather, Thrifty's
Eastgate Square	Hamilton	645	109	Eaton, Woolco, Robinsons	Tip Top, Fairweather, Suzy Shier, Town & Country
Place Fleur de Lys	Quebec City	630	100	Sears, Syndicat, K-Mart	Tip Top, Fairweather
Shopper's World	Brampton	629	117	Simpsons, K-Mart	Town & Country, Thrifty's
Les Galeries Chagnon	Quebec City	626	65	Woolco, Sears	Tip Top
Market Mall	Calgary	620	70	Woodwards, The Bay	Tip Top, Fairweather
Londonderry Mall	Edmonton	616	87	Woolco, The Bay, Eaton	Tip Top, Fairweather, Thrifty's
Park Royal	Vancouver	610	115	Woodwards, Eaton	Tip Top
Place Ste-Foy	Quebec City	600	97	Eaton, Holt Renfrew	Suzy Shier
Burlington Mall	Burlington	600	90	Eaton, Robinsons, Sears	Tip Top, Fairweather, Braemar, Town & Country
Towne & Countrye Square	Toronto	600	71	The Bay, Woolco	Tip Top, Fairweather, Town & Country

Dylex Operations

Retailing Women's	Stores	Location	Average Size	Market Coverage
Fairweather	76	Across Canada	8,300 sq. ft.	Latest in fashionable moderately priced women's clothing and accessories for the 15-30 age group.
Braemar	11	Ontario	4,200	Selected lines of fashionable sportswear, dresses and coats for the more sophisticated woman.
Suzy Shier	46	Ontario, Quebec, Maritimes	2,500	Medium priced fashionable merchandise for the younger market.
Town & Country	65	Ontario, Quebec, Maritimes	2,400	Medium priced contemporary coats, dresses and sportswear for the career woman and style conscious customer.
Total	**198**			

Men's				
Tip Top	126	Across Canada	4,000	Broad middle group of consumers; offering good value in ready made suits and accessories
Harry Rosen	6	Ontario (Toronto)	5,200	Quality and fashion for the professional and executive.
Total	**132**			

Family				
Thrifty's	96	Across Canada	2,200	Jeans, shirts, jackets and accessories for today's shopper.
Family Fair	32	Ontario	13,000	Budget merchandise to meet the total clothing needs of Ontario families.
Total	**128**			
Total retail stores	**458**			

Manufacturing	Product	Brand Names
Canadian Clothiers	Suits, sports jackets	Leishman, Cerruti, Henley, Johnny Carson
Nu Mode Dress	Dresses	Nu Mode
Posluns Sportswear	Women's coats	Posluns, Shapes
Manchester Children's Wear	Young women's and children's coats	Thunder Bay, Young Canadian
National Knitting	Women's co-ordinates men's and women's sweaters	New Editions, Signature Collection, Coachman
Forsyth Group	Men's shirts, sweaters, leisure wear, women's shirts	Forsyth, Pierre Cardin
Manchester Manufacturing Inc.	Children's coats	Thunder Bay, Young Canadian, Junior Deb
Shane Knit	Women's knits	Picknit

Corporate Information

Directors

Kenneth Axelrod
D.W. Casey*
George Fine
J.F. Kay
S.F. Kay
David Korn C.A.
Irving Levine
Sydney Loftus
Irving Posluns
Jack Posluns
L. H. Posluns
Wilfred Posluns*
Lionel Robins
Harry Rosen
S.M. Sigel
W. H. Singer
H.J. Stitt Q.C.
Henry Zagdanski
A.H. Zaldin Q.C.*

*Member of Audit Committee

Officers

L.H. Posluns
Honorary Chairman of the Board

J.F. Kay
Chairman of the Board

Wilfred Posluns
President

Jack Posluns
Executive Vice-President
& Treasurer

Irving Posluns
Executive Vice-President

Kenneth Axelrod
Vice-President
Manchester Clothing

Alfred Callegari
Vice-President
Tip Top

Joel Cooper
Vice-President
Braemar

Gordon Edelstone
Vice-President
Tip Top

George Fine
Vice-President
Family Fair

Irving Levine
Vice-President
Fairweather

Sydney Loftus
Vice-President
Dylex Real Estate

Paul Mancini
Vice-President
Canadian Clothiers

Lionel Robins
Vice-President
Fairweather

Harry Rosen
Vice-President
Harry Rosen Men's Wear

David Rosenberg
Vice-President
Corporate Services

Donald Williams
Secretary

Henry Zagdanski
Vice-President
Nu Mode Dress

Subsidiary Companies

Dylex Acceptance Corporation Limited
Fairweather Inc.
Fashion Council Limited
Harry Rosen Men's Wear Limited
Suzy Shier Inc.
Thrifty Riding and Sport Shop Limited

Transfer Agent and Registrar

National Trust Company Limited

Auditors

Wm. Eisenberg & Co.
Chartered Accountants

Bankers

Bank of Montreal

Listed on

Toronto Stock Exchange
Montreal Stock Exchange

Head Office: 637 Lake Shore Boulevard West, Toronto, Ontario. M5V 1A8